

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: PEOPLES NATURAL GAS COMPANY, DIVISION OF UTILICORP UNITED INC.	DOCKET NOS. RFU-98-10 RFU-98-20 RFU-99-4 WRU-98-13-225
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**ORDER DENYING APPLICATION FOR REHEARING AND
ORDERING RECONSIDERATION**

(Issued June 5, 2000)

On March 3, 2000, the Utilities Board (Board) issued an order in these consolidated dockets requiring that Peoples Natural Gas, Division of UtiliCorp United, Inc. (Peoples), file a plan to refund to its customers certain refunds Peoples has received from one of its interstate natural gas pipeline suppliers, Northern Natural Gas Company (Northern). Northern, in turn, received the refunds from natural gas producers who sold gas to Northern during 1983-1988 and collected a Kansas ad valorem tax on those sales. That tax is now in the process of being refunded by those producers for ultimate refund to the retail customers who overpaid while the tax was being collected.

On March 31, 2000, Peoples filed a late application for rehearing of the Board's order, requesting that the Board continue the waiver of 199 IAC 19.10(8) already granted in this docket.

On April 14, 2000, the Board granted Peoples' application for rehearing and approved continuation of the waiver to permit Peoples to continue to retain the

Kansas ad valorem tax refunds in a special refund retention account until November 1, 2000, at which time the balance could be included in Peoples's PGA reconciliation.

On May 16, 2000, Peoples filed another late application for rehearing, asking that the Board order that if Peoples makes a refund to its customers and subsequently determines that it has over-refunded certain amounts, then Peoples would be permitted to recover any over-refunded amounts from its customers.

The Board will not grant Peoples' request for rehearing. It is impossible for the Board to predict all of the relevant facts and circumstances that may exist in the event of some hypothetical over-refunding situation. The Board cannot make a binding statement at this time with respect to unknown future events.

However, in related dockets involving other natural gas distribution utilities in Iowa, an issue has been raised concerning the appropriate method of making these refunds. Specifically, some customers that were sales customers of Peoples during the time period 1983 to 1988 may now be transportation customers who procure their own supplies. Because they are not currently sales customers, they may not share in the refund if it is made through the PGA reconciliation. The Board finds it appropriate to reconsider the issue of using only the PGA reconciliation for purposes of making these refunds. As a preliminary finding, the Board adopts the principle that the refund should be paid to the customers who overpaid in the first place, to the extent possible. However, Peoples has not addressed this principle as applied to

these specific circumstances and the Board will not make a final determination until after Peoples has responded.

If transportation customers are permitted to share in the refunds, then there will still be a question regarding the manner of that sharing. It is possible that sales information from the 1983 to 1988 period may no longer be available on a reasonable basis and a surrogate method of allocating refunds, based on more recent data, may be required. Accordingly, Peoples will be directed to file a statement of its position regarding inclusion of transportation customers (that were sales customers in all or part of the 1983-1988 time period) in this refund. If Peoples does not agree that it is appropriate to include such customers, Peoples shall file argument in support of its position and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) and any intervenors will be given an opportunity to respond. If Peoples agrees to include such customers, Peoples shall file a report showing the calculations it proposes and describing the results. Consumer Advocate and any intervenors will then have an opportunity to comment on the Peoples report; Peoples will have an opportunity to respond; and the Board will then either set the matter for hearing (if necessary to resolve fact issues), or issue an order directing the manner in which the refunds should be made.

IT IS THEREFORE ORDERED:

1. The application for rehearing filed by Peoples Natural Gas on May 16, 2000, is denied.

2. The Board will reconsider its April 14, 2000, order in this docket, to the extent described in the body of this order.

3. The following procedural schedule is adopted:

a. Peoples shall file with the Board, on or before June 15, 2000, a statement of its position with respect to the inclusion of transportation customers in the refund to be made in these dockets.

b. If any other party disagrees with the statement filed by Peoples, then that party shall file a counter-statement on or before June 22, 2000.

c. If Peoples agrees to include in the refund transportation customers that were sales customers in all or part of the 1983 through 1988 period, Peoples shall file with the Board, on or before June 23, 2000, a report showing, in detail, its proposed method for allocating a portion of the Kansas ad valorem tax refund to current transportation customers who were sales customers during the time associated with the refund of the ad valorem tax.

d. On or before July 14, 2000, Consumer Advocate and Iowa Industrial Intervenors may file comments on the Peoples report.

e. On or before July 28, 2000, Peoples may file responsive
comments to the comments filed by the other parties.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr. /s/ Diane Munns
Executive Secretary

Dated at Des Moines, Iowa, this 5th day of June, 2000.